

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Docket No. 2002-628

June 30, 2003

RANGELEY WATER DISTRICT
Proposed Rate Change Pursuant to
35-A M.R.S.A. Section 6104 (Proposed
\$76,557 Increase in Rates)

ORDER APPROVING
STIPULATION

WELCH, Chairman; NUGENT and DIAMOND

I. SUMMARY

We approve the Stipulation submitted by the parties in this case. The Stipulation provides for an immediate rate increase of 21% (relative to its 2001 revenue requirement) for Rangeley Water District (Rangeley or District), and for a "second step" increase, in an amount to be determined upon the completion of certain construction projects, within one year. Finally, the Stipulation requires the District to work with the Town of Rangeley to explore areas further cooperation, and to undertake other planning and operational initiatives.

II. PROCEDURAL HISTORY

On October 18, 2002, Rangeley submitted information concerning its proposed rate increase. On November 18, 2002, Rangeley held a rate case public hearing as required by 35-A M.R.S.A. § 6104. Thereafter, the Town of Rangeley and 94 other ratepayers submitted a petition to the Commission, requesting that the Commission suspend and investigate the Water District's proposed rates. Specifically, the petition asked the Commission to investigate the following issues:

1. Whether the Water District is operating as efficiently as possible;
2. Whether the Water District is utilizing sound management practices;
3. Whether the Water District has maximized its customer base wherever possible;
4. Whether the Water District has managed its construction projects professionally, or whether its outside contract work needs to be redone; and
5. Whether the Water District is managing its long-range planning effectively, and/or is setting its priorities properly.

On December 17, 2002, the Commission issued Suspension Order #1, suspending the effective date of the rates.

On January 24, 2003, the PUC Advisory Staff and the parties held a technical conference at the Rangeley Town Office, at which representatives of the District responded to questions about its rate filing and its service. Additional telephone conference calls were held to discuss the issues raised in the case as well as to develop a revenue requirement to use to calculate revised rates.

On June 26, 2003, the parties, the Office of the Public Advocate, the Town of Rangeley, Jerome J. Guevremont, an intervenor (collectively the parties) and Rangeley filed a Stipulation Agreement setting forth the revenue requirements needed to establish rates and other terms regarding the future operation of Rangeley.

III. STIPULATION

The parties agree that the District's revenue requirement will be \$258,166 or a \$44,344 (20.18%) increase over the District's 2001 test year revenues. Exhibits 1 and 2 to the Stipulation are the Operating Statement and Water Utility Expenses used to reach this revenue requirement.

Rangeley and the parties have agreed to several terms that affect operational aspects of the District. In particular, the District has agreed to develop a comprehensive plan for the maintenance and upgrading of its water system, use the Uniform System of Accounts to keep its annual records, present its next rate filing to the Commission, devise policies to ensure customer notification of the District's meetings, and investigate whether it can obtain certain services from the Town to take advantage of economies of scale.

The Stipulation also provides procedures to allow the District to implement a second step increase in its revenues at the time the upgrade to the water main on Cottage Avenue and/or a new well have been completed as long as those projects are completed by December 1, 2003. The Stipulation states that the District will be permitted to increase its rates in order to recover: (a) the increase in Depreciation (Account 403), (b) the increase in Interest Expense (Account 427), and (c) the increase in its Principal Payments that will result when either or both of those projects go into service. The "second step" increase in revenues will not include any adjustments for increases or decreases in components of the Company's revenue requirement that are not directly connected to those two projects.

IV. DECISION

Rangeley's need for the initial increase in its rates is the result of an increase in operational costs, caused mainly by increases in the District's labor and other administrative costs. The stipulated rates should allow Rangeley to meet the increased costs and provide adequate service to its ratepayers. The Stipulation addresses the

concerns raised by the parties as well as those noted by the Advisory Staff and the OPA during the processing of this case.

The Stipulation provides for a shortened process for a limited Step Two increase to provide for recoveries once known capital improvements are placed into service. This will limit the cost of the proceeding for all parties involved. In order to keep the parties informed as to the status of the construction projects and when the Step Two increase will be filed, the District should notify the parties by letter 30 days prior to the completion of the majority of the projects.

In approving a stipulation, we consider whether the parties joining the stipulation represent a sufficiently broad spectrum of interests, whether the process leading to the stipulation was fair and whether the stipulated result is reasonable and not contrary to legislative mandate. See e.g., *Consumers Maine Water Company, Proposed General Rate Increase of Bucksport and Hartland Divisions*, Docket No. 96-739 (July 3, 1997) at 2. The Public Advocate represents the using and consuming public, in this case the customers of the Rangeley Water District. In addition, the Stipulation is also signed by the Town Manager of Rangeley and by the lead petitioner of the group of customers who requested that the Commission investigate the rate filing as well as one other petitioner. The process of discovery, the technical conference and the informal conference calls allowed an opportunity for all interested persons to gather information about the reasons for the increase.

We believe that the process was fair; all interested parties had an opportunity to participate. We find that the proposed Stipulation resolves this case consistent with the law and the public interest. The Stipulation results in rates that are just and reasonable and in the best interest of ratepayers. It also reduces the risk of increased costs if the case were fully litigated. We further find that the conditions to the Stipulation are reasonable.

V. CONCLUSION

Accordingly, we

ORDER

1. That the Stipulation filed on June 26, 2003, and incorporated by reference into this Order, is approved; and
2. That Rate Schedules Sheets 1 through 5, Third Revision, filed on June 27, 2003, are approved.

Dated at Augusta, Maine, this 30th day of June, 2003.

BY ORDER OF THE COMMISSION

Dennis L. Keschl
Administrative Director

COMMISSIONERS VOTING FOR: Welch Welch
Diamond

COMMISSIONER ABSENT: Nugent

NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S.A. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of review or appeal of PUC decisions at the conclusion of an adjudicatory proceeding are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 1004 of the Commission's Rules of Practice and Procedure (65-407 C.M.R.110) within 20 days of the date of the Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought.
2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within **21 days** of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S.A. § 1320(1)-(4) and the Maine Rules of Appellate Procedure.
3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S.A. § 1320(5).

Note: The attachment of this Notice to a document does not indicate the Commission's view that the particular document may be subject to review or appeal. Similarly, the failure of the Commission to attach a copy of this Notice to a document does not indicate the Commission's view that the document is not subject to review or appeal.